

## NOTES TO FINANCIAL STATEMENTS

The Company has some premium payments that are received and some claim payments that are processed by an affiliated UHG entity. Both premiums and claims applicable to the Company are settled through the intercompany settlement process and any amounts outstanding are reflected in the related party balances in the accompanying statutory statements of admitted assets, liabilities, and capital and surplus.

### 11. DEBT

None.

### 12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

None.

### 13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

Capital stock consists of common stock at stated value with no par value and no stated dividend rate. One thousand shares are authorized; ten shares are issued and outstanding. The Plan may make an ordinary dividend payment to its stockholder in an amount not to exceed the greater of ten percent of the Plan's capital and surplus or the Plan's net income for the previous year. A dividend of \$41,500,000 was paid in 2007. No dividend was paid in 2006. When considering a dividend in 2008, the maximum for an ordinary dividend is the Plan's net income in 2007.

No capital contributions were received in 2007 or 2006. Unassigned surplus was decreased by the change in nonadmitted asset values of \$(51,162,246) and \$1,018,487 as of December 31, 2007 and 2006, respectively.

There were no aggregate unrealized gains (losses) at December 31, 2007 or 2006. At December 31, 2007 and 2006, nonadmitted assets were \$51,670,555 and \$110,359, respectively.

The Plan is required to provide a contingency reserve based on 2% of the net capitation revenue from risk contracts limited to \$1,500,000. The Plan's accumulated reserve reached \$1,500,000 during 1989 and such reserve has been recorded as a part of capital and surplus.

## CONTINGENCIES

**Contingent Commitments**—Not applicable.

**Assessments**- Accounts payable includes a liability for guaranty fund and other assessments that represent funding mechanisms employed by states in which the Plan does business to provide funds to cover policy holder obligations of insolvent reporting entities and to subsidize certain losses of those insurers that cover individuals. As of December 31, 2007 and 2006, the Plan had \$4,704,000 and \$2,856,000, respectively, accrued for assessments related to the respective years.

Beginning in 2005, the Iowa Comprehensive Health Association annual assessments may be used to offset the premium tax liability to the extent of 20% of the amount of the assessment for each of the five calendar years following the year in which the assessment was paid. As of December 31, 2007 and 2006, the Plan has \$1,757,855 and \$660,837 of assessments to be offset against future premium tax liabilities, respectively.

**Gain Contingencies**—None.

**All Other Contingencies** - In the normal course of business, the Plan, from time to time, may become involved in litigation incidental to the business. The Plan believes that it has substantial defenses and intends to defend such actions vigorously. Although it is not possible to predict the outcome of any unresolved legal matters, the Plan does not believe that such matters will have a material adverse effect on its financial position or results of operations.

### 14. LEASES

None.

### 15. OFF-BALANCE SHEET RISK

None.

## NOTES TO FINANCIAL STATEMENTS

extent and cost of resolving those claims, the resulting impact on risk sharing arrangements, and the amount of insurance recoveries.

**Cash and Short Term Investments** – Cash and short-Investments represent cash held by the Plan in disbursement accounts and money market instruments with a maturity of one year or less at the time of purchase. Claims and other payments are made from the disbursement accounts daily. Cash and short term investments are reported at cost which approximates market value. Cash overdrafts are a result of timing differences in funding disbursement accounts for claim payments.

Subsequent to February 26, 2006, cash and short-term investment investments also consist of the Plan's share of an investment pool sponsored and administered by UHS for the benefit of the UHS-owned health plans. The investment pool consists principally of investments with original maturities of less than one year with the average life of the individual investment being less than 60 days. The Plan's share of the pool represents an undivided ownership interest in the pool and is immediately convertible to cash at no cost or penalty. The pool is primarily invested in governmental obligations, commercial paper, certificates of deposit, and short-term agency notes and recorded at cost. Interest income from the pool accrues daily to participating members based on ownership percentage.

**Bonds** – Bonds include corporate bonds, government obligations, and municipal securities and are stated at amortized cost if they meet NAIC designation of one or two and are stated at the lower of amortized cost or and NAIC-determined market value if they meet and NAIC designation of three or higher. Amortization of bonds premium or discount is calculated using the constant-yield interest method. Bonds are valued and reported using market prices published by the NAIC Securities Valuation Office ("SVO") in accordance with the NAIC Valuations of Securities manual prepared by the SVO ("Valuations of Securities manual").

The Plan continually monitors the difference between the cost and estimated fair value of its other invested assets. If any of the Plan's other invested assets experience a decline in value that the Plan believes is other than temporary, the Plan records a realized loss in investment and other income in the statutory statements of operations. No such losses were incurred and recorded during the years ended December 31, 2007 and 2006.

**Accounts Payable** - Accounts payable includes a liability for guaranty fund and other assessments that represent funding mechanisms employed by states in which the Plan does business to provide funds to cover policy holder obligations of insolvent reporting entities and to subsidize certain losses of those insurers that cover individuals. As of December 31, 2007 and 2006, the Plan had \$4,704,000 and \$2,856,000, respectively, accrued for assessments related to the respective years.

Beginning in 2005, the Iowa Comprehensive Health Association annual assessments may be used to offset the premium tax liability to the extent of 20% of the amount of the assessment for each of the five calendar years following the year in which the assessment was paid. As of December 31, 2007 and 2006, the Plan has \$1,757,855 and \$660,837 of assessments to be offset against future premium tax liabilities, respectively.

Accounts payable also includes state income taxes payable.

**Aggregate Write-Ins** - Certain amounts are required under statutory-basis practices to be reported as aggregate write-ins. Included in the following captions are:

- **For other than invested assets** – Receivables related to government contracts.
- **For other liabilities** - Payables for cost contracts.
- **For other than special surplus funds** – State of Illinois mandatory contingency reserve of 2% of capitated revenue from provider risk arrangements, up to a maximum of \$1,500,000.
- **For other expenses** – Fines and penalties.
- **For other gains (losses) in surplus** – Changes in nonadmitted assets and accruals affecting net income.

**Revenues** - Premium revenues are earned ratably over the terms of the contracts. Premiums billed and collected in advance are recorded as unearned premiums.

**Medical and Hospital Expenses** - Health care costs are accrued as services are rendered and include estimates for incurred but not reported claims.

**Premium Deficiency Reserves** - The Plan calculates and determines the need for a premium deficiency reserve based on contracts with remaining effective periods beyond December. The

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contracts are analyzed including remaining contractual premium compared to expected administrative costs, trended medical costs, and investment income. The analysis was done on stop loss and PPO business separately. No premium deficiency reserve was necessary as of December 31, 2007 and 2006.

**Risk and Uncertainties** - The Plan's business could be impacted by continuing price pressure on new and renewal business, the Plan's ability to effectively manage medical utilization and expenses, market competition, and federal and state legislation or governmental regulations of health insurers. Also, the Plan is subject to regulatory requirements as explained in Note 5.

**Concentrations of Credit Risk** - Financial instruments, which potentially subject the Plan to concentration of credit risk, consist principally of bonds and short-term investments. The Plan limits the amount of credit exposure by making investments of high credit quality.

### 2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

None.

### 3. BUSINESS COMBINATIONS

None.

### 4. DISCONTINUED OPERATIONS

None.

### 5. INVESTMENTS

At December 31, 2007 and 2006, certain long-term investments included in Bonds in the Statements of Admitted Assets, Liabilities, Capital and Surplus – Statutory Basis totaling \$20,576,956 and \$13,294,734 respectively, were held on deposit with trustees as required by Illinois, Tennessee, and Virginia insurance regulations.

**Mortgage Loans**—Not applicable.

**Debt Restructuring**-- Not applicable.

**Reverse Mortgages**—Not applicable.

**Loan-Backed Securities** – Loan-backed securities are carried at an amortized cost basis and are included in Bonds in the Statements of Admitted Assets, Liabilities, Capital and Surplus – Statutory-Basis.

For purposes of calculating the realized gains and losses on sales of investments, the amortized cost of each investment sold is used. The realized gains and losses are included in the net investment income earned in the statements of revenue and expenses – statutory basis.

**Repurchase Agreements**—Not applicable.

### 6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

None.

### 7. INVESTMENT INCOME

The plan had no nonadmitted investment income due and accrued at December 31, 2007 and 2006.

### 8. DERIVATIVE INSTRUMENTS

None.

### 9. INCOME TAXES

The Plan's operations are included in the consolidated federal income tax return of UHG. Federal income taxes are paid to or refunded by UHG pursuant to the terms of a tax-sharing agreement, approved by the Board of Directors, under which taxes approximate the amount that would have been computed on a separate company basis. Income taxes incurred in the current and prior years will be available for recoupment by the Plan only in the event of future net losses of consolidated UHG. The Plan receives a benefit at the federal rate in the current year for net losses incurred in that year to the extent the losses can be utilized in the consolidated federal income tax return of UHG. The statutory basis financial statements, prepared in accordance with NAIC SAP

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instructions, require that the provision for state income taxes of \$264,670 in 2007 and \$195,561 in 2006 be included in general administrative expenses on the statutory statement of operations.

### 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

Administrative services including claims processing, broker fees, marketing, quality assurance, financial, accounting, insurance, legal, and data processing, are provided to the Plan by its parent. Under the terms of agreements between the Plan and the parent, and approved by the IDOI, the parent charges the Plan for such services based on a per member per month fee for each line of business. Expenses charged to the Plan by the parent for the years ended December 31, 2007 and 2006 were \$112,324,183 and \$80,992,399, respectively, and are reported as claims adjustment expenses and general administrative expenses.

Until February 25, 2006, the Plan did not maintain a daily balance within its depository bank account. Rather, all available cash was invested in short-term investments. The daily net cash activity flowed through the Plan's depository bank account zero-balancing to a Deere & Company account with a daily entry through an affiliated receivable/payable account. The affiliated receivable/payable account was settled by the pln on a monthly basis.

At December 31, 2007 and 2006, the Plan reported \$22,195,976 and \$121,145 respectively, as a related party payable, which is included in the statutory statements of admitted assets, liabilities, and capital and surplus. Any balances are generally settled within 90 days from the incurred date. Receivables not settled within 90 days are considered a non-admitted asset and are excluded from the statutory statements of admitted assets, liabilities, and capital and surplus.

The Plan has a contract with United Behavioral Health, a wholly owned subsidiary of UHS, to provide mental health and substance abuse services to its enrollees. Fees related to this agreement which are calculated on a per member per month basis, of \$6,852,278 2007 and \$4,716,616 from February 24, 2006 through December 31, 2006 are included in medical services expenses in the accompanying statutory statements of revenue and expenses – statutory basis.

The company has an agreement with United Resource Network, a division of UHS, to provide access to a network of transplant providers for its enrollees. Fees related to this agreement which are calculated on a per member per month basis, of \$371,509 in 2007 and \$137,759 from February 24, 2006 through December 31, 2006 are included in medical services expenses in the accompanying statutory statements of revenue and expenses – statutory basis.

The company has an agreement with OPTUM, a division of UHS, to provide a 24-hour call-in service called Care24 to its enrollees. Fees related to this agreement which are calculated on a per member per month basis, of \$1,196,539 in 2007 and \$2,837,606 from February 24, 2006 through December 31, 2006 are included in medical services expenses in the accompanying statutory statements of revenue and expenses – statutory basis.

Effective January 1, 2007, the Company has an agreement with ACN Group, Inc., a wholly owned subsidiary of UHS, to provide chiropractic and physical therapy services for its enrollees. Fees related to this agreement which are calculated on a per member per month basis, of \$493,373 in 2007.

The Plan has an insolvency-only reinsurance agreement with United healthcare Insurance Company ("UHIC"), a wholly owned subsidiary of UHIC Holdings, Inc. (formerly know as Unimerica, Inc.), which is a wholly owned subsidiary of UHS, to provide insolvency protection for its enrollees. Reinsurance premiums which are calculated on a percentage of member premium revenues, of approximately \$583,834 from February 24, 2006 through December 31, 2006 are netted against premium revenues in the accompanying statutory statement of revenue and expenses – statutory basis. Reinsurance recoveries of approximately \$595,213 from February 24, 2006 through December 31, 2006 are netted against medical services expenses in the accompanying statutory statements of revenue and expenses – statutory basis. There were no reinsurance receivables related to this agreement at December 31, 2006. Reinsurance contracts do not relieve the company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Plan.

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### 16. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENT OF LIABILITIES

None.

### 17. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

**Administration Services Only (ASO)— TennCare** - The Plan participates as a contracted managed care organization ("MCO") in the TennCare program. TennCare is a project authorized through a conditional waiver by CMS that replaced the State of Tennessee's Medicaid program on January 1, 1994. Uninsured individuals and Medicaid eligible individuals who enroll in the TennCare program receive prepaid health care through participating MCO's. The Plan received \$12,681,304 and \$10,870,773 in administrative service revenue in 2007 and 2006 respectively, under this arrangement, which is recognized as a reduction of general administrative expenses. Total membership at December 31, 2007 and 2006 under the ASO arrangement is 85,130 and 78,190, respectively. There was no net gain or loss from the ASO arrangement in 2007 and 2006. The claim payment volume for 2007 and 2006 under the ASO arrangement totaled \$156,870,828 and \$157,413,710, respectively.

**Administration Service Contracts (ASC)**—None.

**Medicare** - Revenues are based on a budgeted amount reimbursed monthly by CMS and then adjusted to actual based on a year-end cost report. CMS has the option to audit the cost reports filed by the Plan and thus adjustments to recorded amounts may occur based on these audits. All cost reports for 2003 and prior have been settled with CMS. The Plan operated under a Medicare Advantage contract in all states in 2006 and 2005. Under the contracts, CMS makes a single monthly capitation payment to the Plan for each of its enrollees. The Plan provides services through an organized delivery system of contracted physicians, hospitals, and ancillary providers. Medicare premium revenue, including Medicare Part D, recognized for the years ended December 31, 2007 and 2006, was \$310,047,106 and \$276,966,561, respectively.

### 18. MANAGING GENERAL AGENTS

None.

### 19. SEPTEMBER 11 EVENTS

None.

### 20. OTHER ITEMS

**Extraordinary Items**—None.

**Troubled Debt Restructuring (Debtors)**—None.

### 21. SUBSEQUENT EVENTS

None.

### 22. REINSURANCE

**Ceded Reinsurance Report** – Section 1- General Interrogatories- 1. Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company? Response: **NO**

2. Have any policies issued by the company been reinsured with a company chartered in a country other than the United States that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person no primarily engaged in the insurance business? Response: **NO**

Section 2- 1. Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit? Response: **NO**

Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance

## NOTES TO FINANCIAL STATEMENTS

agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies? Response: **NO** Section 3- 1. What is the estimated amount of the aggregate reduction in surplus (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of payment or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Response: **NONE**

2. Have any new agreements been executed or existing agreements amended since January 1, 2004 to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement? Response: **NO**

*Uncollectible Reinsurance-* None.

*Communication of Ceded Reinsurance-* None.

### Other Disclosures

Gross reinsurance expenses, included within premium revenues, for the years ended December 31, 2007 and 2006 were \$611,933 and \$691,117, respectively.

Reinsurance recoveries, which are recorded as net reinsurance recoveries, for the years ended December 31, 2007 and 2006 were \$612,280 and \$595,128, respectively. There were no reinsurance receivables or payables as of December 31, 2007 and 2006.

## 23. RETROSPECTIVELY RATED CONTRACTS

**Federal Employees Health Benefits Program** - On January 1, 2005, the Plan entered into a retrospectively rated contract with the Federal Employees Health Benefits Program ("FEHBP"). A retrospective premium adjustment was calculated by comparing the earned premium to the estimated incurred medical, administrative, and service fee expenses. These incurred expenses included paid and unpaid expenses. The incurred but not reported ("IBNR") expenses were estimated using the actuarial methods described in Note 9. In 2007 and 2006, the Plan recorded a retrospective premium adjustment and a corresponding liability of \$3,640,823 and \$2,025,773, respectively, which is included in aggregate health policy reserves in the Statement of Admitted Assets, Liabilities, Capital and Surplus – Statutory-Basis. The net premium written in this retrospectively rated contract for 2007 and 2006 was \$13,444,384 and \$13,102,507, respectively.

## 24. CLAIMS UNPAID

Unpaid claims liability is developed using actuarial methods. History of actual claim payments is plotted on a matrix with incurred periods along the X-axis and payment months along the Y-axis. Estimated monthly claim behavior is developed from this data. Enrollment for each month is monitored to determine potential impact on claims incurred. Additional relevant information is evaluated to support unpaid claim liability calculations such as the number of claim opportunity days each month, the number of claim processing days each month, claim processing production statistics, claim volume received statistics, significant claims known, reinsurance, coordinated benefits, subrogation and other recoveries, implementation of new health care cost management programs, and any other information that may arise.

Using the above data, the current period estimate is developed. The expense per member per month is tested against historical trends and additional relevant information. Prior period unpaid claims estimates are evaluated using the lagged claim data. The liability has not been calculated using any special consideration for toxic waste cleanup, asbestos-related illnesses or other environmental remediation exposures as management does not believe that any significant exposure exists. An external actuary also certifies the Plan's reserves at December 31 of each year.

Unpaid claims and accrued medical incentive pool liability balances as of December 31, 2007 and 2006 were \$171,753,087 and \$88,651,659, respectively.

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Total incurred claims above include out-of-period adjustments relating to changes in estimates for claims unpaid and provider risk sharing arrangements.

The majority of amounts withheld relating to provider risk sharing arrangements are accounted for in claims unpaid on the Statements of Admitted Assets, Liabilities, Capital and Surplus – Statutory-Basis. The remaining components of the provider risk sharing arrangements are in the accrued medical incentive pool and health care receivables. The impact of provider risk sharing arrangements is reflected as incentive pool and withhold adjustments in the Statements of Revenue and Expenses – Statutory-Basis, and is included in current year incurred claims above.

The liability for claims unpaid at December 31, 2005 exceeded actual claims paid in 2006 related to prior years by approximately \$7,400,000. This favorable result was reduced by provider risk sharing adjustments relating to years 2005 and prior of approximately \$52,000.

The liability for claims unpaid at December 31, 2006 was less than actual claims paid in 2007 related to prior years by approximately \$3,282,000. This unfavorable result was offset by provider risk sharing adjustments relating to years 2006 and prior of approximately \$167,000.

### 25.INTERCOMPANY POOLING ARRANGEMENTS

None.

### 26.STRUCTURED SETTLEMENTS

Not applicable.

### 27.HEALTHCARE RECEIVABLES

The risk sharing receivables were nonadmitted.

### 28.PARTICIPATING POLICIES

None.

### 29.PREMIUM DEFICIENCY RESERVES

The Plan actuarially calculates and determines the need for a premium deficiency reserve based on contracts with remaining effective periods beyond December. The contracts are analyzed including remaining contractual premium compared to expected administrative costs, trended medical costs, investment income, and incentive pool and withhold adjustments. The analysis is done using large group business combined, small group business combined, and Hawk-I. No premium deficiency reserve was necessary as of December 31, 2007 and 2006.

### 30.ANTICIPATED SALVAGE AND SUBROGATION

None.



SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities .....	88,486,114	24.509	88,486,114	24.509
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies .....		0.000		0.000
1.22 Issued by U.S. government sponsored agencies .....	52,490,146	14.539	52,490,146	14.539
1.3 Foreign government (including Canada, excluding mortgaged-backed securities) .....		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations .....		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....		0.000		0.000
1.43 Revenue and assessment obligations .....		0.000		0.000
1.44 Industrial development and similar obligations .....		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA .....	14,279	0.004	14,279	0.004
1.512 Issued or guaranteed by FNMA and FHLMC .....	22,343,156	6.189	22,343,156	6.189
1.513 All other .....		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA .....	8,855,687	2.453	8,855,687	2.453
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521 .....	2,663,848	0.738	2,663,848	0.738
1.523 All other .....		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....	58,257,311	16.136	58,257,311	16.136
2.2 Unaffiliated foreign securities .....	3,272,393	0.906	3,272,393	0.906
2.3 Affiliated securities .....		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds .....		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated .....		0.000		0.000
3.22 Unaffiliated .....		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....		0.000		0.000
3.32 Unaffiliated .....		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated .....		0.000		0.000
3.42 Unaffiliated .....		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated .....		0.000		0.000
3.52 Unaffiliated .....		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development .....		0.000		0.000
4.2 Agricultural .....		0.000		0.000
4.3 Single family residential properties .....		0.000		0.000
4.4 Multifamily residential properties .....		0.000		0.000
4.5 Commercial loans .....		0.000		0.000
4.6 Mezzanine real estate loans .....		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company .....		0.000	0	0.000
5.2 Property held for the production of income (including \$ .....0 of property acquired in satisfaction of debt) .....		0.000	0	0.000
5.3 Property held for sale (including \$ .....0 property acquired in satisfaction of debt) .....		0.000	0	0.000
6. Contract loans .....		0.000	0	0.000
7. Receivables for securities .....		0.000	0	0.000
8. Cash, cash equivalents and short-term investments .....	124,649,396	34.526	124,649,396	34.526
9. Other invested assets .....		0.000		0.000
10. Total invested assets	361,032,331	100.000	361,032,331	100.000



GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ NA ☐
- 1.3

State Regulating?

Illinois
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☒ No ☐
- 2.2

If yes, date of change:

06/05/2007
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2002
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2002
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

04/23/2004
- 3.4

By what department or departments? Illinois Department of Insurance
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11

sales of new business?

Yes ☐ No ☒
- 4.12

renewals?

Yes ☐ No ☒
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21

sales of new business?

Yes ☐ No ☒
- 4.22

renewals?

Yes ☐ No ☒
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒
- 7.2

If yes,
- 7.21

State the percentage of foreign control;
- 7.22

State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [ ] No [ X ]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [ X ] No [ ]
- 8.4

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
Exabte Bank, Inc.	Salt Lake City, Utah	No	No	No	Yes	No

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Deloitte & Touche LLP, Chicago, IL
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

David O. Thoen, Deloitte Consulting LLP, Minneapolis, MN
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [ ] No [ X ]

11.11

Name of real estate holding company

11.12

Number of parcels involved

11.13

Total book/adjusted carrying value

\$
- 11.2

If yes, provide explanation
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [ ] No [ ]
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [ ] No [ ]
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [ ] No [ ] NA [ ]
- 13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [ X ] No [ ]

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and

a.

professional relationships;

b.

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c.

Compliance with applicable governmental laws, rules and regulations;

d.

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e.

Accountability for adherence to the code.
- 13.11

If the response to 13.1 is No, please explain:
- 13.2

Has the code of ethics for senior managers been amended?

Yes [ ] No [ X ]
- 13.21

If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [ ] No [ X ]
- 13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [ X ] No [ ]
15.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [ X ] No [ ]
16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or likely to conflict with the official duties of such person?

Yes [ X ] No [ ]

GENERAL INTERROGATORIES  
FINANCIAL

17.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes [ ] No [ X ]

18.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11

To directors or other officers

\$0

18.12

To stockholders not officers

\$0

18.13

Trustees, supreme or grand (Fraternal only)

\$0

18.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21

To directors or other officers

\$0

18.22

To stockholders not officers

\$0

18.23

Trustees, supreme or grand (Fraternal only)

\$0

19.1

Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement?

Yes [ ] No [ X ]

19.2

If yes, state the amount thereof at December 31 of the current year:

19.21

Rented from others

\$

19.22

Borrowed from others

\$

19.23

Leased from others

\$

19.24

Other

\$

20.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes [ X ] No [ ]

20.2

If answer is yes:

20.21

Amount paid as losses or risk adjustment

\$0

20.22

Amount paid as expenses

\$101,306

20.23

Other amounts paid

\$0

21.1

Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [ ] No [ X ]

21.2

If yes, indicated any amounts receivable from parent included in the Page 2 amount:

\$

INVESTMENT

22.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date?

Yes [ X ] No [ ]

22.2

If no, give full and complete information relating thereto:

23.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1)

Yes [ X ] No [ ]

23.2

If yes, state the amount thereof at December 31 of the current year:

23.21

Loaned to others

\$

23.22

Subject to repurchase agreements

\$

23.23

Subject to reverse repurchase agreements

\$

23.24

Subject to dollar repurchase agreements

\$

23.25

Subject to reverse dollar repurchase agreements

\$

23.26

Pledged as collateral

\$

23.27

Placed under option agreements

\$

23.28

Letter stock or other securities restricted as to sale

\$

23.29

On deposit with state or other regulatory body

\$20,576,956

23.291

Other

\$

23.3

For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [ ] No [ X ]

24.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes [ ] No [ ] NA [ X ]

25.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [ ] No [ X ]

25.2

If yes, state the amount thereof at December 31 of the current year.

\$